

Department of Social and Health Services

DP Code/Title: M2-8L Lease Rate Adjustments

Program Level - 010 Children's Administration

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

Recommendation Summary Text:

Funding is requested for the incremental cost of lease renewals on site in the Department of Social and Health Services (DSHS) offices and client service centers statewide.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Program 010			
001-1 General Fund - Basic Account-State	875,000	995,000	1,870,000
001-A General Fund - Basic Account-DSHS Fam Support/Chi	216,000	245,000	461,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	108,000	123,000	231,000
Total Cost	1,199,000	1,363,000	2,562,000

Staffing

Package Description:

Most DSHS staff work in facilities leased from public or private entities. Many of these facilities house field service staff, which provide services to over 1.3 million persons each year. To accommodate clients and provide ready access to services, the department currently leases approximately 3.8 million square feet of space at 206 locations throughout the state. To the greatest extent possible, the department requires the various programs to co-locate their offices.

Leases typically run five years or longer, and are generally renewed unless space or physical conditions require relocation. Most leases increase at the time of renewal. The request for additional funds results from mandatory lease renewals anticipated during the 2003-05 Biennium and the actual cost of lease renewals during the 2001-03 Biennium.

The department has worked with the Department of General Administration (GA) and other entities to estimate the percent of increase for each lease anticipated to expire during the 2003-05 Biennium.

Narrative Justification and Impact Statement

How contributes to strategic plan:

By funding lease costs, DSHS will continue to meet agencywide goals to provide customer services that are easy to access.

Performance Measure Detail

Goal:

Incremental Changes
FY 1 FY 2

Reason for change:

Approximately 60 leases will expire during the 2003-05 Biennium. With the assistance of GA, the department negotiates the most cost-effective lease rates possible for the necessary space needed. In addition, the department is occasionally required to relocate because a landlord is unwilling or unable to renew the lease, or in the case of the Lanes Building in Seattle, the city has pre-empted the use. In general, landlords increase lease rates at the time of renewal. DSHS has obtained the estimated percent of increases for leases that are expected to expire in the 2003-05 Biennium.

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Impact on clients and services:

To meet the needs of the clients served by DSHS, offices are placed in locations that are safe and convenient to access. In addition, field staff who meet and visit clients in locations other than their office are located in buildings that are close to the clients they serve in order to save travel and employee time costs. Funding the lease costs will allow this practice to continue at the current level of service.

Impact on other state programs:

All programs within DSHS are affected. Because some DSHS offices are co-located with other state agencies, the lease expiration and renewal may effect other state programs.

Relationship to capital budget:

None

Required changes to existing RCW, WAC, contract, or plan:

None

Alternatives explored by agency:

In order to take advantage of lease rates that are significantly below market, DSHS signs contracts with building owners, which obligate DSHS to pay agreed-upon, and legally binding rates for specific periods. The department has no alternative to payment of lease obligations.

Budget impacts in future biennia:

Lease costs will continue into future biennia. A bow wave step will be necessary to carry forward funding at the Fiscal Year 2005. The DSHS bow wave will be approximately \$830,000 GF-S in Fiscal Year 2006 and \$173,000 in Fiscal Year 2007.

Distinction between one-time and ongoing costs:

This increase is an ongoing cost.

Effects of non-funding:

Leased facilities are necessary to house field staff in client-convenient locations to provide the required assistance. The department has a legal obligation to pay lease expenses. Non-funding of lease adjustments would require the department to cut other vital services to clients.

Expenditure Calculations and Assumptions:

DSHS has an updated base to reflect the 2001-03 Biennium Budget. Amounts in CFL were determined using Fiscal Year 2003 estimated lease totals. The request for the 2003-05 Biennium is the effect of annualizing leases in response to renewals. All lease increases for Fiscal Year 2004 and Fiscal Year 2005 are estimated within the individual current leases renewed on site.

See attachment - AW ML-8L Lease Rate Adjustment.xls

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<u>Object Detail</u>	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Program 010 Objects			
E Goods And Services	1,199,000	1,363,000	2,562,000

DSHS Source Code Detail

Program 010		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State				
<u>Sources</u>	<u>Title</u>			
0011	General Fund State	875,000	995,000	1,870,000
<i>Total for Fund 001-1</i>		875,000	995,000	1,870,000
Fund 001-A, General Fund - Basic Account-DSHS Fam Support/Chi				
<u>Sources</u>	<u>Title</u>			
658L	Title IV-E-Foster Care (50%)	216,000	245,000	461,000
<i>Total for Fund 001-A</i>		216,000	245,000	461,000
Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa				
<u>Sources</u>	<u>Title</u>			
19TA	Title XIX Assistance (FMAP)	108,000	123,000	231,000
<i>Total for Fund 001-C</i>		108,000	123,000	231,000
Total Program 010		1,199,000	1,363,000	2,562,000